

**CITY OF LODI
INFORMAL INFORMATIONAL MEETING
"SHIRTSLEEVE" SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, JUNE 15, 2004**

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, June 15, 2004, commencing at 7:03 a.m.

A. ROLL CALL

Present: Council Members – Beckman, Hitchcock (arrived at 7:06 a.m.), Howard, and Land

Absent: Council Members – Mayor Hansen

Also Present: City Manager Flynn, Interim City Attorney Schwabauer, and City Clerk Blackston

B. CITY COUNCIL CALENDAR UPDATE

City Clerk Blackston reviewed the weekly calendar (filed).

C. TOPIC(S)

C-1 "Review draft fiscal year 2004-05 Financial Plan and Budget"

City Manager Flynn projected that for the next two or three years the City should be in good financial condition. He stated that there are more than sufficient reserves to take care of the City's needs for the next three years. The City does have a structural imbalance of \$1.3 million a year and will be borrowing from its reserves to balance the budget. He reported that the state takeaway is \$2 million a year. He recalled that four years ago the City began setting aside \$1.5 million a year above its operating budget into the Capital Fund for future projects; it now totals \$4.5 million, plus interest. Overall in the capital accounts there is \$13 million. Mr. Flynn reported that there were some capital projects that should have been funded with the General Fund that were charged to other funds, which had to be reversed. He explained that it amounts to approximately \$800,000 and will be discussed at the June 16 Council meeting. He stated that the new public safety building was a \$16 million project and the annual debt service was estimated at \$1.5 million. Consequently \$1.5 million was set aside annually to demonstrate that the City had the capacity to pay the debt service. Approximately two years ago the City refinanced old debt and borrowed additional money needed to complete the public safety building, following which the annual debt service increased from \$1.3 million to \$1.7 million. Mr. Flynn reminded Council that earlier in the year he recommended that proposed capital projects (DeBenedetti Park, indoor sports center, aquatics facility, and animal shelter) be cancelled until the City's financial outlook improves. There is approximately \$6.1 million in the General Fund Capital that is un-programmed. He suggested that after the 2004-05 budget is adopted, a process begin of reviewing and prioritizing the services that each department provides. He reported that the largest growth area has been in personnel, particularly in the Fire Department where 15 positions were added over the past ten years. He stated that the Fitch Rating Agency will likely be downgrading Lodi's General Fund rating from A- to B.

In reply to Council Member Land, Mr. Flynn stated the \$6.1 million in reserve is a combination of the \$1.5 million set aside, interest earnings, and "probably" the \$350,000 transfers taken from Electric Utility. In reference to the cost of the Environmental Abatement Program (EAP) litigation, Mr. Flynn estimated that if the City borrowed \$40 million to pay for legal fees and cleanup work, at 7% interest for 20 years, it would amount to \$1.77 per household per month in increased rates.

In response to Council Member Hitchcock, Public Works Director Prima stated that the water rates were adjusted to pick up the additional cost of the Woodbridge Irrigation District contract and the \$800,000 estimated annual cost of the EAP litigation. He confirmed that no part of the rate increases were to fix any past fund balance issues.

Interim City Attorney Schwabauer explained that in January, he and Mr. Prima discussed what amount should be assumed for the EAP litigation and had decided on \$800,000 annually. This was before there was any track record of what the actual expenses were. Since then approximately \$200,000 a month has been spent on litigation, in addition to \$50,000 for consultant services.

Mr. Flynn reported that Lodi's sales tax decreased by 1.5% in the second quarter report. He noted that "no growth" cities generally have a tax structure that is much higher than other cities.

Mayor Pro Tempore Beckman asked that the topic of possible policies regarding future revenues be placed on an agenda for public discussion as to what direction the City should take, e.g. to work toward being a commercial or tourism center, etc.

Mr. Flynn agreed and stated that the outcome of such a discussion would set the strategy that the Planning Department and the City needs to focus on to remain successful and viable; otherwise, the City operates on a day to day level without a vision of the future toward what it is trying to achieve.

Council Member Hitchcock pointed out that the 2003-04 projections were off by \$1.6 million. Addressing Mr. Flynn, she asked why he was not recommending some of the cost saving measures he had offered earlier, considering that the budget now shows \$31 million in revenue and \$36 million in expenditures. Ms. Hitchcock stated that she was very uncomfortable with the recommendation to balance the budget with phantom numbers under the category of Other Sources and Uses, particularly when they never end up as predicted at the end of the year.

Finance Director Krueger reviewed the "blue sheet" entitled *2004-05 Financial Plan and Summary, Changes in the Fund Balance – General Fund* (filed; marked as Exhibit A) and presented the following information:

- Revised budget revenues total \$32,587,481;
- General Fund expenditures total \$34,490,227;
- Expenditures exceed revenues by \$1,902,746;
- The net surplus as a result of transfers in, transfers out, and Other Sources and Uses is \$4,936,836; and
- The ending fund balance as of June 30, 2005, is projected to be \$4.8 million, which is 14% of expenditures.

Mr. Krueger reviewed another document (filed; marked as Exhibit B) and presented the following information:

- The original budget for 2004-05 showed a deficit of \$5.2 million;
- Other Sources and Uses in the original budget showed a surplus of \$4.5 million;
- The structural deficit in the original budget was \$656,000;
- Recurring adjustments to expenditures amount to \$3.3 million;
- One-time adjustments to revenues amount to \$1.8 million, which is principally property taxes that would go into the Capital Outlay account in order to pay for debt service; based on staff's analysis of the Capital Outlay Fund the City has enough money to make the debt service payment and set up a reserve;
- One-time expenditure increases total \$417,000;
- Other items, which are primarily transfers, total \$1,122,795; and
- The net surplus for the 2004-05 budget totals \$3,034,000.

Continued June 15, 2004

Mr. Krueger reviewed page 2 (of Exhibit B) and reported that the structural deficit is \$1,338,946, which he advised needs to be cured before the next two-year budget.

Council Member Hitchcock again questioned the recommendation to defer cost savings measures when there is a \$1.3 million structural deficit in the budget.

Mr. Flynn explained that earlier in the year he was unaware of how much reserves there were in the Capital accounts, which can now be used toward the deficit. He agreed that cost saving options would be presented to Council in the next budget presentation.

D. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS

None.

E. ADJOURNMENT

No action was taken by the City Council. The meeting was adjourned at 8:11 a.m.

ATTEST:

Susan J. Blackston
City Clerk

Mayor's & Council Members' Weekly Calendar

WEEK OF JUNE 15, 2004

Tuesday, June 15, 2004

- 7:00 a.m. Shirtsleeve Session
 1. Review draft fiscal year 2004-05 Financial Plan and Budget (CM)
- 6:00 p.m. Appreciation BBQ for Volunteers for Celebration on Central, Parsons
 Point ~ Lodi Lake Park, 1101 West Turner Road.

Wednesday, June 16, 2004

- 7:00 p.m. City Council Meeting
 (Note: Closed Session will begin at 5:30 p.m.)

Thursday, June 17, 2004

- 5:30 – 7:00 p.m. Ribbon Cutting and Grand Opening of Tokay Stitch'n Quilt Guild,
 United Congregational Church, 701 South Hutchins Street.

Friday, June 18, 2004

Saturday, June 19, 2004

- 11:00 – 5:00 p.m. Lodi City Employees Association Picnic, Micke Grove Park ~ Delta
 Area, 11793 N. Micke Grove Road.
- Reminder APPA National Conference, Seattle, Washington. June 19 – 23, 2004.

Sunday, June 20, 2004

Monday, June 21, 2004

Disclaimer: This calendar contains only information that was provided to the City Clerk's Office.

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2004-2005 FINANCIAL PLAN AND SUMMARY

filed 6-15-04
Exhibit A

CHANGES IN FUND BALANCE - GENERAL FUND

	2001-2002	2002-2003	2003-2004		2003-2004	2004-2005		2004-2005
	Actual	Actual	Adopted Budget	Changes	Revised Budget	Budget	Changes	Revised Budget
Revenues								
Tax Revenues	19,447,199	20,213,654	21,160,890		21,160,890	21,950,230	1,881,695	23,831,925
Licenses and Permits	1,464,450	1,669,402	1,555,905		1,555,905	1,586,115		1,586,115
Fines and Forfeitures	743,058	746,857	811,090		811,090	763,945		763,945
Investment/Property Revenues	500,058	217,171	776,260	(444,380)	331,880	776,260	(444,380)	331,880
Intergovernmental Revenues	4,291,718	4,059,062	4,145,331		4,145,331	4,056,961	(69,000)	3,987,961
Service Charges	1,738,806	1,867,525	1,814,930	(148,600)	1,666,330	2,352,060	(387,640)	1,964,420
Other Revenue	138,294	129,858	119,250		119,250	121,235		121,235
Total Revenue	28,323,583	28,903,529	30,383,656	(592,980)	29,790,676	31,606,806	980,675	32,587,481
Expenditures								
Operating Programs								
Public Safety	13,132,941	13,530,180	15,229,994	(360,285)	14,869,709	16,866,399	(678,918)	16,187,481
Transportation	1,817,284	1,998,381	2,072,270	(521)	2,071,749	2,158,690	(31,288)	2,127,402
Leisure, Cultural and Social Services	4,082,832	4,397,605	4,670,221	(198,459)	4,471,762	4,794,851	(332,863)	4,461,988
Community and Economic Development	3,152,561	3,190,093	3,289,410	(318,976)	2,970,434	3,557,270	(406,055)	3,151,215
General Government	7,788,217	8,701,782	8,975,052	(340,238)	8,634,814	9,476,549	(914,408)	8,562,141
Total Operating Programs	29,973,835	31,818,041	34,236,947	(1,218,479)	33,018,468	36,853,759	(2,363,532)	34,490,227
Bulk Power Purchase								
Other Purchases								
Capital Projects								
Debt Service								
Total Expenditures	29,973,835	31,818,041	34,236,947	(1,218,479)	33,018,468	36,853,759	(2,363,532)	34,490,227
Revenues/Expenditures (Over/Under)	(1,650,252)	(2,914,512)	(3,853,291)	625,499	(3,227,792)	(5,246,953)	3,344,207	(1,902,746)
Other Sources (Uses)								
Operating Transfers In	4,897,694	6,963,138	6,375,464	1,116,000	7,491,464	6,380,199	2,202,028	8,582,227
Operating Transfers Out	(4,288,392)	(5,842,729)	(4,490,867)	(470,525)	(4,961,392)	(4,490,867)	(828,662)	(5,319,529)
Other Sources (Uses)		300,000	2,530,001	(1,154,413)	1,375,588	2,701,404	(1,027,267)	1,674,137
Total Other Sources (Uses)	609,302	1,420,409	4,414,599	(508,938)	3,905,661	4,590,737	346,099	4,936,836
Fund Balance Beginning of the Year	3,629,228	2,588,278	2,642,505	(1,548,471)	1,094,034	3,203,813	(1,431,910)	1,771,903
Adjustment to Fund Balance								
Fund Balance End of the Year								
Reserved for Debt Service								
Designated Reserve								
Unreserved	2,588,278	1,094,175	3,203,813	(1,431,910)	1,771,903	2,547,596	2,258,396	4,805,992
Total Fund Balance	2,588,278	1,094,175	3,203,813	(1,431,910)	1,771,903	2,547,596	2,258,396	4,805,992
	8.64%	3.44%	9.36%		5.37%	6.91%		13.93%

filed 6-15-04
Exhibit B

	2004-05 <u>Budget</u>
Revenues less expenditures(as per original budget)	(5,246,953)
Other Sources and Uses (as per original budget)	<u>4,590,736</u>
Net surplus (deficit) in Sources and Uses {as per original budget}	<u>(656,217)</u>
Adjustments to 2004-05 Budget:	
Recurring adjustments to Expenditures	3,348,626
One time adjustments:	
Revenues	1,881,695
Expenditures	(417,220)
Other items (primarily transfers)	<u>(1,122,795)</u>
	3,690,306
Net surplus (deficit) in Sources and Uses after adjustments to 2004-05 budget {(\$1,902,746)+4,936,836}	3,034,089

filed 6-15-04

City of Lodi

Budget Adjustments 2004-05

Item	Amount	Comments	General Fund						
			General Fund	Capital	Library	Electric	Water	Sewer	Other
City Manager									
Personnel Services	(37,800)		(37,800)						
Communications	(3,500)		(3,500)						
Supplies, Materials and Services-CM	(14,942)		(14,942)						
Travel	(8,000)		(8,000)						
City-wide Postage	(40,000)	Stop Inserts	(40,000)						
ICMA fee	(6,000)		(6,000)						
Supplies, Materials and Services	(1,500)		(1,500)						
Supplies, Materials and Services-Special Pmts	(10,128)		(10,128)						
Extend VTO-1 year	(50,000)		(50,000)						
Increase Hiring Freeze to 28 Positions	(520,000)		(520,000)						
Economic Development Coordinator	(115,800)	1 position	(115,800)						
Supplies, Materials and Services-Econ Dev	(3,950)		(3,950)						
Supplies, Materials and Services-Community Promotion	(250)		(250)						
Supplies, Materials and Services-Non-Departmental	(480)		(480)						
Supplies, Materials and Services-Telephone Account	(2,155)		(2,155)						
Community Promotions	(16,050)		(16,050)						
Special Payments	(3,000)		(3,000)						
	(833,555)		(833,555)	-	-	-	-	-	-
City Clerk									
Council Travel Account	(10,000)		(10,000)						
Protocol Account	(3,000)		(3,000)						
Supplies, Materials and Services - City Council	(2,453)		(2,453)						
Supplies, Materials and Services	(5,000)		(5,000)						
	(20,453)		(20,453)	-	-	-	-	-	-
City Attorney									
Supplies, Materials and Services	(1,532)		(1,532)						
PCE/TCE Litigation and Clean Up	1,351,000						675,500	675,500	
	1,349,468		(1,532)	-	-	-	675,500	675,500	-
Community Center									
Roll Back Arts Grant to 2000/01	(25,000)		(25,000)						
Supplies, Materials and Services	(37,374)		(37,374)						
	(62,374)		(62,374)						
Community Development									
Vacancies	(96,519)	2 positions	(96,519)						
Supplies, Materials and Services	(26,907)		(26,907)						
	(123,426)		(123,426)	-	-	-	-	-	-
Information Systems									
Eliminate One Position	(48,353)	1 position	(48,353)						
Supplies, Materials and Services	(38,589)		(38,589)						
	(86,942)		(86,942)	-	-	-	-	-	-
Police Department									
Overtime	(21,000)		(21,000)						
High Crimes Investigator	(69,000)	1 position	(69,000)						
Transfer of Parking Hearing Officer from CM	15,000		15,000						
Reclass Management analyst	(5,200)		(5,200)						
Animal Shelter Part-time Staff	19,200		19,200						
Supplies, Materials and Services	(41,160)		(41,160)						
	(102,160)		(102,160)	-	-	-	-	-	-

City of Lodi

Budget Adjustments 2004-05

Item	Amount	Comments	General Fund						
			General Fund	Capital	Library	Electric	Water	Sewer	Other
Fire Department									
Firefighter	(81,000)	1 position	(81,000)						
Defer Paramedic Program	(506,845)	6 positions	(506,845)						
Performance Bonus	48,000	Approved by Council	48,000						
Dispatching Fee	41,000	Approved by Council	41,000						
Vehicle Operations Course	(12,595)		(12,595)						
Supplies, Materials and Services	(65,332)		(65,332)						
	(576,772)		(576,772)	-	-	-	-	-	-
Finance Department									
Vacancies	(140,923)	3 positions	(140,923)						
Supplies, Materials and Services	(30,983)		(30,983)						
Shift Field Services to Electric	(414,000)	No immediate savings	(414,000)						
	(585,906)		(585,906)	-	-	-	-	-	-
Library									
Cut Sunday Hours	(17,000)				(17,000)				
Supplies, Materials and Services	(15,910)				(15,910)				
	(32,910)		-	-	(32,910)	-	-	-	-
Water/Wastewater Utilities									
Vacancies	(200,089)	6 positions					(41,994)	(158,095)	
Storm Water Analyst	-								
Supplies, Materials and Services	450,166	Per Official Statement						450,166	
Organization Evaluation	(25,000)						(12,500)	(12,500)	
Maintenance Worker	42,725	1 position						42,725	
	267,802		-	-	-	-	(54,494)	322,296	-
Electric Utility Services									
Vacancies	(527,250)	6 positions				(527,250)			
Professional Services Increase	(10,000)					(10,000)			
Automated Meter Reading	(2,000)					(2,000)			
Four Computers	(7,000)					(7,000)			
Shift Field Services from Finance	414,000	No immediate savings				414,000			
Equipment	-					-			
	(132,250)				-	(132,250)	-	-	-
Transportation									
Traffic Monitor Equipment	17,500		17,500						
	17,500		17,500	-	-	-	-	-	-
Parks and Rec									
P/T CAD Operator	(11,495)		(11,495)						
Vacancies	(142,879)	3 positions	(142,879)						
Refurbish Basketball Floors	(5,000)		(5,000)						
Relocation cost- Parks Office	16,000		16,000						
Supplies, Materials an Services	(127,115)		(127,115)						
	(270,489)		(270,489)						
Public Works									
Vacancies	(111,402)	2 positions	(111,402)						
Reclass 4 Engineering Positions	(26,400)		(26,400)						
Supplies, Materials an Services	(126,610)		(126,610)						

City of Lodi

Budget Adjustments 2004-05

Item	Amount	Comments	General Fund						
			General Fund	Capital	Library	Electric	Water	Sewer	Other
	(264,412)		(264,412)	-	-	-	-	-	-
Human Resources									
Medical Account Decrease	(352,700)		(352,700)						
Supplies, Materials and Services	(28,682)		(28,682)						
Leadership Lodi and UOP	(5,400)		(5,400)						
	(386,782)		(386,782)	-	-	-	-	-	-
Facilities Service									
Vacancies	(93,423)	2 positions	(93,423)						
Maintenance - Police Department	(8,500)		(8,500)						
Reduce Janitorial Services	(57,500)		(57,500)						
Rental Finance Department	108,100		108,100						
	(51,323)		(51,323)	-	-	-	-	-	-
Recurring Expenditure Changes	(1,894,984)		(3,348,626)	-	(32,910)	(132,250)	621,006	997,796	-
One-Time Adjustments to Expenditures									
Suspend Admin Leave Payout	(150,000)	Negotiable	(150,000)						
Workers' Comp	(230,500)		(152,130)			(57,625)	(6,915)	(13,830)	
Election	62,350		62,350						
Audit of Envision	250,000								
General Liability	100,000		67,000			20,000	125,000	125,000	
PERS Increase	190,000		190,000				2,000	11,000	
Golden Handshake	400,000		400,000						
One-Time Expenditure Changes	621,850		417,220	-	-	(37,625)	120,085	122,170	-
One-Time Adjustments to Revenues									
State Take Away	705,000		112,800	67,680	45,120	373,650	56,400	49,350	
Suspend Property Tax transfer to Capital	(1,994,495)		(1,994,495)	1,994,495					
One-Time Adjustments to Revenues	(1,289,495)		(1,881,695)	2,062,175	45,120	373,650	56,400	49,350	-
Adjustments to Other Sources /Uses									
Transfer to General Fund	(2,616,000)		(2,616,000)	2,616,000					
Transfer of field Services	414,000		414,000			(414,000)			
Increase in transfer to Benefits Fund	913,748		913,748						
Decrease in projected revenues/SAVINGS	901,020		901,020						
Eliminate deficit in Transportation Fund	26,790		26,790						
Eliminate transfer from Electric to GF Capital	350,000			350,000		(350,000)			
Eliminate Other sources and Uses:									
Vacancies	1,000,000		1,000,000						
Carry-over	250,000		250,000						
Estimated revenues	233,237		233,237						
	-		-						
	1,472,795		1,122,795	2,966,000	-	(764,000)	-	-	-
Total Adjustment to Fund Balance	(1,089,834)		(3,690,306)	5,028,175	12,210	(560,225)	797,491	1,169,316	-